

KEOKUK COUNTY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2012

KEOKUK COUNTY, IOWA

TABLE OF CONTENTS  
JUNE 30, 2012

Officials		<u>Page</u> 1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-8
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	9
Statement of Activities	B	10
Governmental Fund Financial Statements:		
Balance Sheet	C	11
Reconciliation of the Balance Sheet – Governmental Funds		
to the Statement of Net Assets	D	12
Statement of Revenues, Expenditures and Changes in Fund Balances	E	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances – Governmental Funds to the Statement of Activities	F	14
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	15
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	16
Statement of Cash Flows	I	17
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	18
Notes to Financial Statements		19-29
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -		
Budget and Actual (Cash Basis) – All Governmental Funds		30
Budget to GAAP Reconciliation		31
Notes to Required Supplementary Information – Budgetary Reporting		32
Schedule of Funding Progress for the Retiree Health Plan		33
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	34-35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	36-37
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	38-41
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	42-45
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	46-47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance		
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with		
Government Auditing Standards		48-49
Schedule of Findings		50-52

KEOKUK COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Hadley	Board of Supervisors	January, 2015
Michael Berg	Board of Supervisors	January, 2013
Daryl Wood	Board of Supervisors	January, 2015
Christy Bates	County Auditor	January, 2013
Christine Kleinmeyer	County Treasurer	January, 2015
Melissa Bird	County Recorder	January, 2015
Jeff Shipley	County Sheriff	January, 2013
John E. Schroeder	County Attorney	January, 2015
Ronald Richmond	County Assessor	January, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Keokuk County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Keokuk County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Keokuk County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Keokuk County, Iowa at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2013 on our consideration of Keokuk County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require the Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 8 and 30 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keokuk County, Iowa's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2004 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 14, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Keokuk County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- The County's Governmental funds' revenues decreased \$4,055,134 from fiscal year 2011 to fiscal year 2012. Capital grants, contributions and restricted interest decreased \$3,902,847.
- The County's Governmental funds' expenditures totaled \$1,269,615 more in fiscal year 2012 than in fiscal year 2011. Roads and transportation expenditures made up the largest increase at \$942,357.
- The County's Governmental funds' net assets decreased 4.32%, or \$947,386, from June 30, 2011 to June 30, 2012.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Keokuk County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Keokuk County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Keokuk County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

### REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

#### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, capital projects, and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:
  1. The General Fund,
  2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,
  3. The Capital Projects Fund.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service Fund, the Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for agriculture extension education, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Keokuk County, Iowa's combined net assets decreased from \$21,907,657 to \$20,960,271 during the year ended June 30, 2012. The analysis that follows focuses on the changes in the net assets for governmental activities.

### Net Assets of Governmental Activities

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current and other assets	\$ 11,540,962	\$ 11,898,609
Capital assets	<u>15,476,422</u>	<u>15,555,533</u>
Total assets	<u>27,017,384</u>	<u>27,454,142</u>
Long-term liabilities	305,527	327,089
Other liabilities	<u>5,751,586</u>	<u>5,219,396</u>
Total liabilities	<u>6,057,113</u>	<u>5,546,485</u>
Net assets:		
Invested in capital assets, net of related debt	15,476,422	15,555,533
Restricted	4,692,518	5,334,803
Unrestricted	<u>791,331</u>	<u>1,017,321</u>
Total net assets	\$ <u>20,960,271</u>	\$ <u>21,907,657</u>

Net assets of Keokuk County, Iowa's governmental activities decreased by \$947,386 (\$20,960,271 compared to \$21,907,657). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt (if any) related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$791,331 and \$1,017,321 at June 30, 2012 and 2011, respectively.

### Changes in Net Assets of Governmental Activities

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues:		
Program revenues:		
Charges for service	\$ 848,399	\$ 1,321,226
Operating grants, contributions and restricted interest	5,351,075	4,994,005
Capital grants, contributions and restricted interest	-	3,902,847
General revenues:		
Property and other county tax	2,587,530	2,625,427
Penalty and interest on property tax	39,309	53,271
State tax credits	125,863	136,183
Unrestricted investment earnings	46,897	60,962
Loss on disposal of capital assets	(4,255)	(20,929)
Other general revenues	<u>29,703</u>	<u>6,663</u>
Total revenues	<u>9,024,521</u>	<u>13,079,655</u>
Program expenses:		
Public safety and legal services	970,504	933,914
Physical health and social services	555,165	557,001
Mental health	1,092,174	882,735
County environment and education	705,109	666,615
Roads and transportation	4,881,438	3,939,081
Governmental services to residents	360,711	325,813
Administration	1,406,566	1,396,893
Nonprogram activities	<u>240</u>	<u>240</u>
Total expenses	<u>9,971,907</u>	<u>8,702,292</u>
Change in net assets	(947,386)	4,377,363
Net assets beginning of year	<u>21,907,657</u>	<u>17,530,294</u>
Net assets end of year	\$ <u>20,960,271</u>	\$ <u>21,907,657</u>

The County increased property tax asking for the 2013 fiscal year by 6.5%. The property and other County tax asking for the fiscal year 2013 was set at \$4,638,212, an increase of \$301,014 from the fiscal year 2012.



## INDIVIDUAL MAJOR FUND ANALYSIS

As Keokuk County, Iowa completed the year, its governmental funds reported a combined fund balance of \$5,897,827, a decrease of \$793,619 compared to last year's total of \$6,691,446. The decrease in fund balance is primarily attributable to the Rural Services Fund. The following are the major reasons for the changes in the fund balances of the major governmental funds from the prior year:

- General Fund revenues and expenditures were \$3,482,830 and \$3,566,506, respectively. The ending fund balance showed a decrease of \$121,302 from the prior year to \$2,323,421. The fund balance decrease for the fiscal year ending June 30, 2011 was \$407,676.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,092,270 an increase of 23.6% from the prior year. Revenues increased in the current year by \$420,861, an increase of 49.9% from the prior year. The Mental Health Fund balance at year end increased by \$171,216 from the prior year.
- Rural Services ending fund balance decreased \$693,731 from the June 30, 2011 balance, primarily due to an increase in expenditures of \$372,464.
- Secondary Roads Fund revenues decreased by \$120,624 compared to the prior year. This decrease in revenues resulted in a decrease in the Secondary Roads Fund ending balance of \$33,785 or 1.9%.

## BUDGETARY HIGHLIGHTS

During the year ended June 30, 2012, Keokuk County, Iowa did not amend its budget.

During the year ended June 30, 2012, Keokuk County, Iowa exceeded its budget in the debt service function.

The County underspent the total budget of \$10,419,661 by \$779,247 for the year ended June 30, 2012.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, Keokuk County had \$15,476,422 invested in a broad range of capital assets (net of depreciation), including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of \$79,111, or .5% percent less than last year.

#### Capital Assets of Governmental Activities at Year End

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Land	\$ 1,011,300	\$ 1,011,300
Construction in progress	-	544,979
Buildings and improvements	1,424,423	682,819
Equipment and vehicles	1,504,800	1,735,370
Infrastructure	<u>11,535,899</u>	<u>11,581,065</u>
Total	\$ <u>15,476,422</u>	\$ <u>15,555,533</u>
Major additions included:		
Construction in progress	\$ -	\$ 544,979
Buildings and improvements	247,712	-
Equipment and vehicles	115,704	384,936
Infrastructure	<u>265,965</u>	<u>4,290,159</u>
Total	\$ <u>629,381</u>	\$ <u>5,220,074</u>

The County had depreciation expense of \$704,237 in fiscal year 2012 and total accumulated depreciation of \$5,145,406 at June 30, 2012.

The County's fiscal year 2012 capital budget included \$550,000 for capital projects, principally for road and bridge improvements and conservation projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2012, Keokuk County, Iowa had \$508,591 in general obligation capital loan notes and other debt outstanding compared to \$608,170 at June 30, 2011, as shown below:

### Outstanding Debt of Governmental Activities at Year-End

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Capital loan notes	\$ 230,000	\$ 280,000
Compensated absences	220,064	231,081
Sick leave conversion	12,136	9,919
Net OPEB liability	<u>118,391</u>	<u>87,170</u>
Total	\$ <u>580,591</u>	\$ <u>608,170</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Keokuk County, Iowa's outstanding general obligation debt of \$230,000 is significantly below its constitutional debt limit of \$44,532,824. Other obligations include net OPEB liability, accrued compensated absences and sick leave conversion. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Keokuk County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. Unemployment (as of October 2012) in the County now stands at 4.6% versus 5.3% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 7.5%.

Inflation in the State was somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 4.637% for the twelve month period ending October 2012 compared with the national rate of 4.896%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$11,125,433, an increase of 6.8% from the fiscal year 2012 budget. The amount of revenue to support the above expenditures is projected to increase 8.4% from the fiscal year 2012 budget to \$9,307,243. Property and other County taxes supporting the fiscal year 2013 budget increased \$299,364 from the fiscal year 2012 budget and makes up 40.5% of the revenue for the fiscal year 2013 budgeted expenditures.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2013 fiscal year by \$1,818,190 leaving an overall reserve of approximately 31.5% of budgeted fiscal year 2013 expenditures.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Keokuk County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Keokuk County Auditor's Office, 101 South Main Street, Sigourney, Iowa.

## KEOKUK COUNTY, IOWA

## STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities
<b>ASSETS:</b>	
Cash and pooled investments	\$ 6,173,901
Receivables:	
Property tax:	
Delinquent	46,678
Succeeding year	4,637,891
Accounts	5,637
Due from other governments	81,583
Contracts receivable	107,815
Inventories	279,692
Prepaid expenses	207,765
Capital assets (net of accumulated depreciation)	15,476,422
<b>TOTAL ASSETS</b>	<b>27,017,384</b>
<b>LIABILITIES:</b>	
Accounts payable	511,567
Salaries and benefits payable	58,544
Due to other governments	179,886
Accrued interest payable	809
Deferred revenue:	
Succeeding year property tax	4,637,891
Other	87,825
Long-term liabilities:	
Portion due and payable within one year:	
Capital loan notes	55,000
Compensated absences	220,064
Portion due and payable after one year:	
Capital loan notes	175,000
Sick leave conversion	12,136
Net OPEB liability	118,391
<b>TOTAL LIABILITIES</b>	<b>6,057,113</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	15,476,422
Restricted for:	
Supplemental levy	1,118,112
Mental health	359,510
Rural services	1,047,608
Secondary roads	1,768,172
Other purposes	399,116
Unrestricted	791,331
<b>TOTAL NET ASSETS</b>	<b>\$ 20,960,271</b>

See Notes to Financial Statements

## KEOKUK COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	
Governmental activities:				
Public safety and legal services	\$ 970,504	\$ 48,176	\$ 12,240	\$ (910,088)
Physical health and social services	555,165	193,867	76,737	(284,561)
Mental health	1,092,174	2,333	1,261,836	171,995
County environment and education	705,109	188,400	642,716	126,007
Roads and transportation	4,881,438	226,367	3,232,429	(1,422,642)
Governmental services to residents	360,711	182,788	94,920	(83,003)
Administration	1,406,566	6,468	30,197	(1,369,901)
Nonprogram activities	240	-	-	(240)
Total	\$ <u>9,971,907</u>	\$ <u>848,399</u>	\$ <u>5,351,075</u>	<u>(3,772,433)</u>
General revenues:				
Property and other County tax levied for:				
General purposes				2,587,530
Penalty and interest on property tax				39,309
State tax credits				125,863
Unrestricted investment earnings				46,897
Loss on disposal of capital assets				(4,255)
Other general revenues				29,703
Total general revenues				<u>2,825,047</u>
Change in net assets				(947,386)
<u>NET ASSETS</u> - Beginning of year				<u>21,907,657</u>
<u>NET ASSETS</u> - End of year				\$ <u>20,960,271</u>

## KEOKUK COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

ASSETS	General	Special Revenue			Nonmajor Governmental Funds	Total
		MH-DD Services	Rural Services	Secondary Roads		
Cash and pooled investments	\$ 2,242,254	\$ 552,363	\$ 1,257,934	\$ 1,702,991	\$ 404,831	\$ 6,160,373
Receivables:						
Property tax:						
Delinquent	27,859	4,933	13,886	-	-	46,678
Succeeding year	2,768,037	490,163	1,379,691	-	-	4,637,891
Accounts	252	-	-	5,385	-	5,637
Due from other governments	24,638	-	-	56,945	-	81,583
Contracts receivable	-	-	-	107,815	-	107,815
Inventories	-	-	-	279,692	-	279,692
Prepaid expenses	120,539	-	-	-	-	120,539
<b>TOTAL ASSETS</b>	<b>\$ 5,183,579</b>	<b>\$ 1,047,459</b>	<b>\$ 2,651,511</b>	<b>\$ 2,152,828</b>	<b>\$ 404,831</b>	<b>\$ 11,440,208</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 28,628	\$ 19,497	\$ 207,707	\$ 251,677	\$ 4,058	\$ 511,567
Salaries and benefits payable	33,968	1,065	2,619	20,892	-	58,544
Due to other governments	1,666	172,291	-	4,272	1,657	179,886
Deferred revenue:						
Succeeding year property tax	2,768,037	490,163	1,379,691	-	-	4,637,891
Other	27,859	4,933	13,886	107,815	-	154,493
<b>TOTAL LIABILITIES</b>	<b>2,860,158</b>	<b>687,949</b>	<b>1,603,903</b>	<b>384,656</b>	<b>5,715</b>	<b>5,542,381</b>
<b>FUND BALANCES:</b>						
Nonspendable:						
Inventories	-	-	-	279,692	-	279,692
Prepaid expenses	120,539	-	-	-	-	120,539
Restricted for:						
Supplemental levy	1,118,112	-	-	-	-	1,118,112
Mental Health	-	359,510	-	-	-	359,510
Rural Services	-	-	1,047,608	-	-	1,047,608
Secondary Roads	-	-	-	1,488,480	-	1,488,480
Other purposes	-	-	-	-	399,116	399,116
Unassigned	1,084,770	-	-	-	-	1,084,770
<b>TOTAL FUND BALANCES</b>	<b>2,323,421</b>	<b>359,510</b>	<b>1,047,608</b>	<b>1,768,172</b>	<b>399,116</b>	<b>5,897,827</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,183,579</b>	<b>\$ 1,047,459</b>	<b>\$ 2,651,511</b>	<b>\$ 2,152,828</b>	<b>\$ 404,831</b>	<b>\$ 11,440,208</b>

KEOKUK COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

Total governmental fund balances	\$ 5,897,827
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$20,621,828 and the accumulated depreciation is \$5,145,406.	15,476,422
Other long-term assets are not available to pay current period expenditures and, therefore, are not recorded and/or deferred in the governmental funds.	154,493
The Internal Service Fund is used by management to charge the costs of the County's health and dental insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statements of net assets.	12,929
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(809)
Long-term liabilities, including capital loan notes, compensated absences payable, net OPEB liability and sick leave conversion, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(580,591)</u>
Net assets of governmental activities	\$ <u>20,960,271</u>

## KEOKUK COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Special Revenue MH-DD Services	Rural Services	Secondary Roads	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>						
Property and other County tax	\$ 2,583,401	\$ 462,721	\$ 1,087,960	\$ -	\$ -	\$ 4,134,082
Interest and penalty on property tax	39,309	-	-	-	-	39,309
Intergovernmental	240,954	798,432	48,486	2,718,283	66,246	3,872,401
Licenses and permits	25,012	-	-	4,181	-	29,193
Charges for service	422,577	-	-	66	81,732	504,375
Use of money and property	141,874	2,333	-	37,407	96,252	277,866
Miscellaneous	29,703	-	-	169,421	6,120	205,244
Total revenues	<u>3,482,830</u>	<u>1,263,486</u>	<u>1,136,446</u>	<u>2,929,358</u>	<u>250,350</u>	<u>9,062,470</u>
<b>EXPENDITURES:</b>						
Current:						
Public safety and legal services	804,849	-	155,893	-	-	960,742
Physical health and social services	539,300	-	-	-	-	539,300
Mental health	-	1,092,270	-	-	-	1,092,270
County environment and education	239,240	-	316,416	-	69,902	625,558
Roads and transportation	-	-	200,732	3,998,115	-	4,198,847
Governmental services to residents	330,198	-	1,136	-	4,000	335,334
Administration	1,652,919	-	-	-	-	1,652,919
Debt service	-	-	-	-	2,676	2,676
Capital projects	-	-	-	165,028	283,415	448,443
Total expenditures	<u>3,566,506</u>	<u>1,092,270</u>	<u>674,177</u>	<u>4,163,143</u>	<u>359,993</u>	<u>9,856,089</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(83,676)</u>	<u>171,216</u>	<u>462,269</u>	<u>(1,233,785)</u>	<u>(109,643)</u>	<u>(793,619)</u>
Other financial sources (uses):						
Transfers in	6,374	-	-	1,200,000	-	1,206,374
Transfers out	(44,000)	-	(1,156,000)	-	(6,374)	(1,206,374)
Total other financing sources (uses)	<u>(37,626)</u>	<u>-</u>	<u>(1,156,000)</u>	<u>1,200,000</u>	<u>(6,374)</u>	<u>-</u>
Net change in fund balances	(121,302)	171,216	(693,731)	(33,785)	(116,017)	(793,619)
Fund balances - Beginning of year	<u>2,444,723</u>	<u>188,294</u>	<u>1,741,339</u>	<u>1,801,957</u>	<u>515,133</u>	<u>6,691,446</u>
Fund balances - End of year	\$ <u>2,323,421</u>	\$ <u>359,510</u>	\$ <u>1,047,608</u>	\$ <u>1,768,172</u>	\$ <u>399,116</u>	\$ <u>5,897,827</u>

KEOKUK COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

Net change in fund balances - Total governmental funds \$ (793,619)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets	\$ 629,381	
Depreciation expense	<u>(704,237)</u>	(74,856)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred and/or not recorded in the governmental funds:

Property tax and other deferred revenues	(33,694)
--	----------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	50,000
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In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources.	(4,255)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Net OPEB liability	(31,221)
Compensated absences	11,017
Sick leave conversion	(2,217)
Interest on long-term debt	161

The Internal Service Fund is used by management to charge the costs of employee health and dental benefits to individual funds. The change in Fund Net Assets of the Internal Service Fund is reported with governmental activities.	<u>(68,702)</u>
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Change in net assets of governmental activities	\$ <u>(947,386)</u>
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KEOKUK COUNTY, IOWA

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

Internal Service -  
 Employee  
Group Health

ASSETS

## Current Assets:

Cash and cash equivalents  
 Prepaid expenses

\$ 13,528  
87,226

TOTAL ASSETS 100,754

LIABILITIES AND NET ASSETS

## Current Liabilities:

Deferred revenue

87,825

TOTAL LIABILITIES 87,825

NET ASSETS:

Unrestricted

\$ 12,929

## KEOKUK COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2012

	Internal Service - Employee Group Health
<u>OPERATING REVENUES:</u>	
Charges to County operating funds and others	\$ 966,944
Miscellaneous receipts	<u>4,578</u>
Total operating revenues	<u>971,522</u>
<u>OPERATING EXPENSES:</u>	
Medical and dental insurance premiums	1,039,912
Refunds and miscellaneous expenses	<u>334</u>
Total operating expenses	<u>1,040,246</u>
Operating loss	(68,724)
<u>NON-OPERATING REVENUES:</u>	
Interest on investments	<u>22</u>
CHANGE IN FUND NET ASSETS	(68,702)
<u>NET ASSETS</u> - Beginning of year	<u>81,631</u>
<u>NET ASSETS</u> - End of year	\$ <u>12,929</u>

KEOKUK COUNTY, IOWA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	Internal Service - Employee <u>Group Health</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash received from charges to others	\$ 980,860
Cash received for miscellaneous receipts	4,578
Cash payments for insurance premiums	(1,060,271)
Cash payments for miscellaneous services	<u>(334)</u>
NET CASH USED IN OPERATING ACTIVITIES	(75,167)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest on investments	<u>22</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(75,145)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>88,673</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ <u>13,528</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH</u> <u>USED IN OPERATING ACTIVITIES:</u>	
Operating loss	\$ (68,724)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in prepaid expenses	(20,359)
Increase in deferred revenue	<u>13,916</u>
Net cash used in operating activities	\$ <u>(75,167)</u>

KEOKUK COUNTY, IOWA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2012

ASSETS

Cash and pooled investments:		
County Treasurer	\$	637,882
Other County officials		192,467
Property tax receivable:		
Delinquent		121,037
Succeeding year		12,025,995
Due from other governments		10,401
	TOTAL ASSETS	<u>12,987,782</u>

LIABILITIES

Accounts payable		13,295
Due to other governments		12,776,958
Salaries and benefits payable		3,581
Trusts payable		193,948
	TOTAL LIABILITIES	<u>12,987,782</u>
	NET ASSETS	\$ <u>-</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Keokuk County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Keokuk County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Keokuk County Assessor's Conference Board, Keokuk County Emergency Management Commission and Keokuk County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The MH-DD Services Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds:

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

KEOKUK COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to other funds for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	50,000
Intangibles	5,000
Equipment and vehicles	5,000



KEOKUK COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	40-65
Buildings and improvements	20-50
Intangibles	5-20
Equipment and vehicles	5-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and other receivables for which the related revenues have not yet been earned.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, MH-DD Services and Secondary Roads Funds.

Sick Leave Conversion – Upon their retirement, County employees who have 15 years of continuous County employment, and meet certain other restrictions are eligible to use 25% of their accrued sick leave to pay for future health insurance premiums for themselves, their spouse and dependents, subject to certain coverage restrictions.

Long-Term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the debt service function.

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible banker's acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

The County's funds are all deposited in financial institution depository accounts.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 1,156,000
General	Meadowbrook Sewer Project	6,374
Special Revenue:		
Secondary Roads	General	44,000
		<u>\$ 1,206,374</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4: CONTRACTS RECEIVABLE – SECONDARY ROADS

As of June 30, 2012, the County has long-term interest-free contracts receivable from three cities for reimbursements from road paving. Summaries of the repayment schedules are as follows:

<u>Year Ending June 30,</u>	<u>City of Gibson</u>	<u>City of Harper</u>	<u>City of What Cheer</u>	<u>Total</u>
2013	\$ 10,000	\$ 1,675	\$ 7,800	\$ 19,475
2014	2,500	1,675	7,800	11,975
2015	2,500	1,675	7,800	11,975
2016	2,500	1,675	7,800	11,975
2017	2,500	1,675	7,800	11,975
2018-2021	<u>7,379</u>	<u>3,336</u>	<u>29,725</u>	<u>40,440</u>
Total	\$ <u>27,379</u>	\$ <u>11,711</u>	\$ <u>68,725</u>	\$ <u>107,815</u>

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases and Transfers</u>	<u>Decreases and Transfers</u>	<u>Balance End of Year</u>
Governmental Activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,011,300	\$ -	\$ -	\$ 1,011,300
Construction in progress	<u>544,979</u>	<u>-</u>	<u>544,979</u>	<u>-</u>
Total capital assets not being depreciated/amortized	<u>1,556,279</u>	<u>-</u>	<u>544,979</u>	<u>1,011,300</u>
Capital assets being depreciated/ amortized:				
Buildings and improvements	1,152,358	792,691	-	1,945,049
Equipment and vehicles	4,592,118	115,704	122,858	4,584,964
Infrastructure, road network	<u>12,814,550</u>	<u>265,965</u>	<u>-</u>	<u>13,080,515</u>
Total capital assets being depreciated/amortized	<u>18,559,026</u>	<u>1,174,360</u>	<u>122,858</u>	<u>19,610,528</u>
Less accumulated depreciation/ amortization for:				
Buildings and improvements	469,539	51,087	-	520,626
Equipment and vehicles	2,856,748	342,019	118,603	3,080,164
Infrastructure, road network	<u>1,233,485</u>	<u>311,131</u>	<u>-</u>	<u>1,544,616</u>
Total accumulated depreciation/amortization	<u>4,559,772</u>	<u>704,237</u>	<u>118,603</u>	<u>5,145,406</u>
Total capital assets being depreciated/amortized, net	<u>13,999,254</u>	<u>470,123</u>	<u>4,255</u>	<u>14,465,122</u>
Governmental activities capital assets, net	\$ <u>15,555,533</u>	\$ <u>470,123</u>	\$ <u>549,234</u>	\$ <u>15,476,422</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation/amortization expense was charged to the following functions:

Governmental Activities:	
Public safety and legal services	\$ 52,203
Physical health and social services	1,750
County environment and education	60,638
Roads and transportation	533,298
Governmental services to residents	16,871
Administration	39,237
Nonprogram	<u>240</u>
Total depreciation/amortization expense - Governmental activities	\$ <u>704,237</u>

NOTE 6: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Total</u>
General	\$ 1,666
Special Revenue:	
MH-DD	172,291
Secondary Roads	4,272
Conservation Land Acquisition	1,145
Conservation	<u>512</u>
Total governmental funds	\$ <u>179,886</u>
Agency:	
E-911	\$ 40,566
Fire districts	223,151
County hospital	1,225,989
Townships	104,358
Corporations	1,937,283
Schools	8,001,673
Area schools	438,242
County Assessor	369,979
Agriculture extension education	159,577
Auto license and use tax	236,323
All other	<u>39,817</u>
Total agency funds	\$ <u>12,776,958</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>Capital Loan Notes</u>	<u>Compensated Absences</u>	<u>Sick Leave Conversion</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance -- Beginning of year	\$ 280,000	\$ 231,081	\$ 9,919	\$ 87,170	\$ 608,170
Additions	-	220,064	2,217	31,221	253,502
Reductions	<u>50,000</u>	<u>231,081</u>	<u>-</u>	<u>-</u>	<u>281,081</u>
Balance - End of year	\$ <u>230,000</u>	\$ <u>220,064</u>	\$ <u>12,136</u>	\$ <u>118,391</u>	\$ <u>580,591</u>
Due within one year	\$ <u>55,000</u>	\$ <u>220,064</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>275,064</u>

Capital Loan Notes

In June 2004, the County issued \$575,000 of crossover advance refunding capital loan notes to advance refund the Series 1996 capital loan notes. The net proceeds of \$565,491 were placed in escrow and were used to redeem the Series 1996 notes on their call date of June 1, 2005.

As a result of the crossover advance refunding, the County reduced its total debt service requirements over the life of the notes by \$37,505, which resulted in a present value economic gain of \$28,831.

A summary of the County's June 30, 2012 capital loan note indebtedness is as follows:

<u>\$575,000 -- Series 2004</u>				
<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	
2013	4.05 %	\$ 55,000	\$ 9,847	
2014	4.20	55,000	7,620	
2015	4.35	60,000	5,310	
2016	4.50	<u>60,000</u>	<u>2,700</u>	
Total		\$ <u>230,000</u>	\$ <u>25,477</u>	

During the year ended June 30, 2012, the County retired \$50,000 of capital loan notes.

NOTE 8: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$248,689, \$195,021 and \$188,759, respectively, equal to the required contributions for each year.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefits plan which provides medical benefits for employees and retirees and their spouses. There are 62 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amounts actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 62,661
Interest on net OPEB obligation	3,487
Adjustment to annual required contribution	<u>(1,860)</u>
Annual OPEB cost	64,288
Contributions made	<u>(33,067)</u>
Increase in net OPEB obligation	31,221
Net OPEB obligation beginning of year	<u>87,170</u>
Net OPEB obligation end of year	\$ <u>118,391</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$24,207 to the medical plan. Plan members eligible for benefits contributed \$8,860, or 26.79% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2010	\$ 62,661	27.4 %	\$ 45,501
2011	64,452	35.3	87,170
2012	64,288	51.4	118,391

Funding Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$557,392, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$557,392. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,622,400 and the ratio of the UAAL to covered payroll was 21.26%. As of June 30, 2012, there were no trust fund assets.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress For the Retiree Health Plan presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were determined using guidance from GASB 45 related to the use of the alternate method.

Projected claim costs of the medical plan are \$557 per month for retirees and \$1,087 per month for retirees and their spouses. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 10: RISK MANAGEMENT

Keokuk County, Iowa is exposed to various risks of loss related to torts; theft; damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: EMPLOYEE HEALTH INSURANCE PLAN

Monthly payments of plan contributions to the Keokuk County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, claims processed and insurance premiums are paid to Blue Cross and Blue Shield of Iowa from the Keokuk County Employee Group Health Fund. The County records the plan assets and related liabilities of the Keokuk County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for both health premiums and dental premiums/claims for the year ended June 30, 2012 was \$966,944.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been reviewed through February 14, 2013, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION



KEOKUK COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

	Governmental Fund Types <u>Actual</u>	Budgeted Amounts <u>Original/Final</u>	Final to Actual Variance - Positive (Negative)
<u>RECEIPTS:</u>			
Property and other County tax	\$ 4,134,251	\$ 4,201,448	\$ (67,197)
Interest and penalty on property tax	39,140	38,000	1,140
Intergovernmental	3,642,019	3,267,609	374,410
Licenses and permits	31,644	29,900	1,744
Charges for service	518,353	578,967	(60,614)
Use of money and property	371,838	328,390	43,448
Miscellaneous	<u>175,632</u>	<u>138,750</u>	<u>36,882</u>
Total receipts	<u>8,912,877</u>	<u>8,583,064</u>	<u>329,813</u>
<u>DISBURSEMENTS:</u>			
Public safety and legal services	1,002,877	1,014,985	12,108
Physical health and social services	538,931	680,139	141,208
Mental health	1,039,757	1,050,219	10,462
County environment and education	352,028	353,186	1,158
Roads and transportation	4,076,699	4,154,000	77,301
Governmental services to residents	334,582	352,960	18,378
Administration	1,763,625	2,264,172	500,547
Debt service	2,676	-	(2,676)
Capital projects	<u>529,239</u>	<u>550,000</u>	<u>20,761</u>
Total disbursements	<u>9,640,414</u>	<u>10,419,661</u>	<u>779,247</u>
Excess (deficiency) of receipts over (under) disbursements	(727,537)	(1,836,597)	1,109,060
<u>BALANCE</u> - Beginning of year	<u>6,887,908</u>	<u>6,484,192</u>	<u>403,716</u>
<u>BALANCE</u> - End of year	\$ <u>6,160,371</u>	\$ <u>4,647,595</u>	\$ <u>1,512,776</u>

KEOKUK COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 8,912,877	\$ 149,593	\$ 9,062,470
Expenditures	<u>9,640,414</u>	<u>(215,675)</u>	<u>9,856,089</u>
Net	<u>(727,537)</u>	<u>(66,082)</u>	<u>(793,619)</u>
Beginning fund balances	<u>6,887,908</u>	<u>(196,462)</u>	<u>6,691,446</u>
Ending fund balances	\$ <u>6,160,371</u>	\$ <u>(262,544)</u>	\$ <u>5,897,827</u>

See Accompanying Independent Auditor's Report.

KEOKUK COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, there were no budget amendments.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the debt service function.

KEOKUK COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$ 557,392	\$ 557,392	0%	\$ 2,452,874	22.70%
2011	July 1, 2009	\$ -	\$ 557,392	\$ 557,392	0%	\$ 2,551,784	21.84%
2012	July 1, 2009	\$ -	\$ 557,392	\$ 557,392	0%	\$ 2,622,400	21.26%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

KEOKUK COUNTY, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

		<u>Special Revenue</u>		
			<u>County</u>	
		<u>REAP</u>	<u>Recorder's</u>	<u>Conservation</u>
		<u>Fund</u>	<u>Records</u>	<u>Land</u>
			<u>Management</u>	<u>Acquisition</u>
<u>ASSETS</u>				
Cash and pooled investments	\$	<u>36,603</u>	\$ <u>4,947</u>	\$ <u>276,371</u>
TOTAL ASSETS	\$	<u>36,603</u>	\$ <u>4,947</u>	\$ <u>276,371</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$	-	\$ -	\$ 3,329
Due to other governments		-	-	1,145
Total liabilities		<u>-</u>	<u>-</u>	<u>4,474</u>
<u>FUND EQUITY:</u>				
Restricted for:				
Other purposes		<u>36,603</u>	<u>4,947</u>	<u>271,897</u>
Total fund equity		<u>36,603</u>	<u>4,947</u>	<u>271,897</u>
TOTAL LIABILITIES AND FUND EQUITY	\$	<u>36,603</u>	\$ <u>4,947</u>	\$ <u>276,371</u>

Schedule 1

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<u>Conservation</u>	<u>Capital Projects</u>	<u>Total</u>
\$ <u>63,796</u>	\$ <u>23,114</u>	\$ <u>404,831</u>
\$ <u>63,796</u>	\$ <u>23,114</u>	\$ <u>404,831</u>
\$ 729	\$ -	\$ 4,058
512	-	1,657
<u>1,241</u>	<u>-</u>	<u>5,715</u>
<u>62,555</u>	<u>23,114</u>	<u>399,116</u>
<u>62,555</u>	<u>23,114</u>	<u>399,116</u>
\$ <u>63,796</u>	\$ <u>23,114</u>	\$ <u>404,831</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

		<u>Special Revenue</u>	
	<u>REAP Fund</u>	<u>County Recorder's Records Management</u>	<u>Meadowbrook Sewer Project</u>
<b><u>REVENUES:</u></b>			
Intergovernmental	\$ 10,263	\$ -	\$ -
Charges for service	-	2,249	1,692
Use of money and property	154	6	2
Miscellaneous	-	-	-
Total revenues	<u>10,417</u>	<u>2,255</u>	<u>1,694</u>
<b><u>EXPENDITURES:</u></b>			
Operating:			
County environment and education	-	-	-
Governmental services to residents	-	4,000	-
Debt service	-	-	2,676
Capital projects	<u>40,000</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>40,000</u>	<u>4,000</u>	<u>2,676</u>
Excess (deficiency) of revenues over (under) expenditures	(29,583)	(1,745)	(982)
Other financing uses:			
Transfers out	<u>-</u>	<u>-</u>	<u>(6,374)</u>
Net change in fund balances	(29,583)	(1,745)	(7,356)
Fund balances - Beginning of year	<u>66,186</u>	<u>6,692</u>	<u>7,356</u>
Fund balances - End of year	\$ <u>36,603</u>	\$ <u>4,947</u>	\$ <u>-</u>



<u>Conservation Land Acquisition</u>	<u>Conservation</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ 55,983	\$ -	\$ 66,246
67,373	-	10,418	81,732
96,090	-	-	96,252
6,120	-	-	6,120
<u>169,583</u>	<u>55,983</u>	<u>10,418</u>	<u>250,350</u>
-	69,902	-	69,902
-	-	-	4,000
-	-	-	2,676
<u>240,000</u>	<u>-</u>	<u>3,415</u>	<u>283,415</u>
<u>240,000</u>	<u>69,902</u>	<u>3,415</u>	<u>359,993</u>
(70,417)	(13,919)	7,003	(109,643)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,374)</u>
(70,417)	(13,919)	7,003	(116,017)
<u>342,314</u>	<u>76,474</u>	<u>16,111</u>	<u>515,133</u>
\$ <u>271,897</u>	\$ <u>62,555</u>	\$ <u>23,114</u>	\$ <u>399,116</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2012

<u>ASSETS</u>	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
Cash and pooled investments:			
County Treasurer	\$ -	\$ -	\$ -
Other County officials	8,957	26,249	157,261
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	-
 TOTAL ASSETS	 \$ <u>8,957</u>	 \$ <u>26,249</u>	 \$ <u>157,261</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	8,957	-	-
Salaries and benefits payable	-	-	-
Trusts payable	-	26,249	157,261
 TOTAL LIABILITIES	 \$ <u>8,957</u>	 \$ <u>26,249</u>	 \$ <u>157,261</u>

<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ 42,849	\$ 15,712	\$ 3,253	\$ 767	\$ 19,210	\$ 1,851	\$ 42,141
-	-	-	-	-	-	-
-	-	2,191	17	12,025	1,021	18,884
-	-	217,707	1,712	1,194,754	101,486	1,876,258
<u>10,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>53,250</u>	\$ <u>15,712</u>	\$ <u>223,151</u>	\$ <u>2,496</u>	\$ <u>1,225,989</u>	\$ <u>104,358</u>	\$ <u>1,937,283</u>
\$ 12,684	\$ 387	\$ -	\$ -	\$ -	\$ -	\$ -
40,566	14,536	223,151	2,496	1,225,989	104,358	1,937,283
-	789	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>53,250</u>	\$ <u>15,712</u>	\$ <u>223,151</u>	\$ <u>2,496</u>	\$ <u>1,225,989</u>	\$ <u>104,358</u>	\$ <u>1,937,283</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2012

<u>ASSETS</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>	<u>Agriculture Extension Education</u>
Cash and pooled investments:				
County Treasurer	\$ 140,946	\$ 7,865	\$ 100,094	\$ 2,605
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	78,328	4,288	2,719	1,564
Succeeding year	7,782,399	426,089	270,182	155,408
Due from other governments	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 8,001,673</b>	<b>\$ 438,242</b>	<b>\$ 372,995</b>	<b>\$ 159,577</b>
 <u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ 224	\$ -
Due to other governments	8,001,673	438,242	369,979	159,577
Salaries and benefits payable	-	-	2,792	-
Trusts payable	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 8,001,673</b>	<b>\$ 438,242</b>	<b>\$ 372,995</b>	<b>\$ 159,577</b>

## Schedule 3 - (Continued)

<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Recorder's E-Transfer Fee</u>	<u>Advance Tax</u>	<u>Total</u>
\$ 236,323	\$ 13,769	\$ 1,654	\$ 59	\$ 244	\$ 8,540	\$ 637,882
-	-	-	-	-	-	192,467
-	-	-	-	-	-	121,037
-	-	-	-	-	-	12,025,995
-	-	-	-	-	-	10,401
<u>\$ 236,323</u>	<u>\$ 13,769</u>	<u>\$ 1,654</u>	<u>\$ 59</u>	<u>\$ 244</u>	<u>\$ 8,540</u>	<u>\$ 12,987,782</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,295
236,323	13,769	-	59	-	-	12,776,958
-	-	-	-	-	-	3,581
-	-	1,654	-	244	8,540	193,948
<u>\$ 236,323</u>	<u>\$ 13,769</u>	<u>\$ 1,654</u>	<u>\$ 59</u>	<u>\$ 244</u>	<u>\$ 8,540</u>	<u>\$ 12,987,782</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2012

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
Balances beginning of year	\$ <u>7,319</u>	\$ <u>28,565</u>	\$ <u>156,953</u>
Additions:			
Property and other County tax	-	-	-
State tax credits	-	-	-
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	162,660	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	92,477	5,897
Miscellaneous	-	-	-
Total additions	<u>162,660</u>	<u>92,477</u>	<u>5,897</u>
Deductions:			
Agency remittances:			
To other governments	161,022	-	-
Trusts paid out	-	94,793	5,589
Total deductions	<u>161,022</u>	<u>94,793</u>	<u>5,589</u>
Balances end of year	\$ <u>8,957</u>	\$ <u>26,249</u>	\$ <u>157,261</u>

<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ <u>77,649</u>	\$ <u>18,530</u>	\$ <u>217,993</u>	\$ <u>1,662</u>	\$ <u>1,145,500</u>	\$ <u>100,099</u>	\$ <u>1,947,347</u>
-	-	209,159	1,637	1,144,754	96,727	1,762,445
-	-	9,149	75	51,772	4,902	104,071
81,584	-	-	-	-	-	-
-	83,498	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
700	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>82,284</u>	<u>83,498</u>	<u>218,308</u>	<u>1,712</u>	<u>1,196,526</u>	<u>101,629</u>	<u>1,866,516</u>
117,084	86,316	213,150	878	1,116,037	97,370	1,876,580
-	-	-	-	-	-	-
<u>117,084</u>	<u>86,316</u>	<u>213,150</u>	<u>878</u>	<u>1,116,037</u>	<u>97,370</u>	<u>1,876,580</u>
\$ <u>42,849</u>	\$ <u>15,712</u>	\$ <u>223,151</u>	\$ <u>2,496</u>	\$ <u>1,225,989</u>	\$ <u>104,358</u>	\$ <u>1,937,283</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2012

<u>ASSETS AND LIABILITIES</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
Balances beginning of year	\$ <u>8,276,426</u>	\$ <u>470,078</u>	\$ <u>344,044</u>
Additions:			
Property and other County tax	7,408,861	404,983	258,241
State tax credits	379,782	21,185	12,237
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	-	-	85
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	-
Total additions	<u>7,788,643</u>	<u>426,168</u>	<u>270,563</u>
Deductions:			
Agency remittances:			
To other governments	8,063,396	458,004	241,612
Trusts paid out	-	-	-
Total deductions	<u>8,063,396</u>	<u>458,004</u>	<u>241,612</u>
Balances end of year	\$ <u>8,001,673</u>	\$ <u>438,242</u>	\$ <u>372,995</u>



<u>Agriculture Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Recorder's E-Transfer Fee</u>	<u>Advance Tax</u>	<u>Total</u>
\$ 155,417	\$ 245,410	\$ 20,521	\$ 1,654	\$ 46	\$ 539	\$ -	\$ 13,215,752
148,562	-	-	-	-	-	-	11,435,369
7,021	-	-	-	-	-	-	590,194
-	-	-	-	-	-	-	81,584
-	-	-	-	-	-	-	83,498
-	-	-	-	-	2,675	-	165,420
-	3,195,157	-	-	-	-	-	3,195,157
-	-	28,324	-	-	-	-	28,324
-	-	-	-	-	-	-	700
-	-	-	180,789	-	-	8,540	287,703
-	-	-	-	13	-	-	13
<u>155,583</u>	<u>3,195,157</u>	<u>28,324</u>	<u>180,789</u>	<u>13</u>	<u>2,675</u>	<u>8,540</u>	<u>15,867,962</u>
151,423	3,204,244	35,076	-	-	2,970	-	15,825,162
-	-	-	180,789	-	-	-	281,171
<u>151,423</u>	<u>3,204,244</u>	<u>35,076</u>	<u>180,789</u>	<u>-</u>	<u>2,970</u>	<u>-</u>	<u>16,106,333</u>
\$ 159,577	\$ 236,323	\$ 13,769	\$ 1,654	\$ 59	\$ 244	\$ 8,540	\$ 12,977,381

KEOKUK COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b><u>REVENUES:</u></b>			
Property and other County tax	\$ 4,134,082	\$ 4,451,090	\$ 4,491,081
Interest and penalty on property tax	39,309	53,271	49,825
Intergovernmental	3,872,401	3,600,737	3,382,091
Licenses and permits	29,193	128,579	119,673
Charges for service	504,375	537,607	500,348
Use of money and property	277,866	394,694	447,740
Miscellaneous	205,244	209,508	229,827
Total	\$ <u>9,062,470</u>	\$ <u>9,375,486</u>	\$ <u>9,220,585</u>
<b><u>EXPENDITURES:</u></b>			
Operating:			
Public safety and legal services	\$ 960,742	\$ 962,292	\$ 832,873
Physical health and social services	539,300	534,636	522,230
Mental health	1,092,270	883,459	788,534
County environment and education	625,558	584,534	373,943
Roads and transportation	4,198,847	3,638,085	3,362,003
Governmental services to residents	335,334	317,273	304,348
Administration	1,652,919	1,991,011	1,296,221
Nonprogram activities	-	-	-
Debt service	2,676	-	-
Capital projects	448,443	505,607	318,217
Total	\$ <u>9,856,089</u>	\$ <u>9,416,897</u>	\$ <u>7,798,369</u>

Modified Accrual Basis						
Year Ended June 30,						
2009	2008	2007	2006	2005	2004	2003
\$ 4,278,362	\$ 4,146,427	\$ 3,908,985	\$ 3,639,988	\$ 2,911,738	\$ 2,860,621	\$ 2,768,801
39,162	37,434	33,216	34,828	36,550	32,710	33,782
3,164,445	3,250,346	3,178,938	3,448,239	3,843,007	3,589,148	3,738,618
20,444	27,385	27,439	17,158	19,135	19,973	17,362
520,652	559,983	540,381	731,732	551,125	307,125	234,682
471,183	520,114	416,800	226,287	128,207	157,683	177,960
188,329	201,933	191,985	194,051	225,359	99,450	62,853
<u>\$ 8,682,577</u>	<u>\$ 8,743,622</u>	<u>\$ 8,297,744</u>	<u>\$ 8,292,283</u>	<u>\$ 7,715,121</u>	<u>\$ 7,066,710</u>	<u>\$ 7,034,058</u>
\$ 791,749	\$ 815,636	\$ 927,905	\$ 889,643	\$ 878,022	\$ 906,648	\$ 808,504
541,124	650,420	634,550	606,011	593,320	656,083	611,624
910,276	929,375	885,827	747,131	716,380	662,544	775,723
365,580	370,509	427,390	442,101	423,759	386,606	370,534
3,628,974	3,446,243	3,744,575	3,864,764	3,414,703	3,162,779	3,009,989
328,383	344,202	264,485	450,361	351,043	315,607	272,542
1,427,247	1,132,990	1,114,387	859,312	891,944	817,056	836,562
-	-	312,579	3,446	8,736	-	-
-	-	-	42,660	582,291	32,509	7,522
166,091	185,331	546,270	420,552	1,225,509	461,306	517,624
<u>\$ 8,159,424</u>	<u>\$ 7,874,706</u>	<u>\$ 8,857,968</u>	<u>\$ 8,325,981</u>	<u>\$ 9,085,707</u>	<u>\$ 7,401,138</u>	<u>\$ 7,210,624</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Officials of Keokuk County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Keokuk County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 14, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Keokuk County, Iowa, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Keokuk County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Keokuk County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Keokuk County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as items II-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keokuk County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Keokuk County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Keokuk County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Keokuk County, Iowa and other parties to whom the County may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Keokuk County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 14, 2013

KEOKUK COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Internal Control Deficiencies:

II-A-12 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in each of the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records.	Ag Extension Recorder
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not handle or record cash.	Ag Extension Recorder
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. Officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

KEOKUK COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

Internal Control Deficiencies: (Continued)

II-A-12 Segregation of Duties (Continued)

Responses

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – At the end of each day a listing of cash receipts, a fee book report of entered business and cash on hand are balanced or compared by two or more employees. Bank accounts are reconciled promptly by the Deputy Recorder, who does not sign checks except in the absence of the Recorder. Two or more employees are involved in comparing a listing of cash receipts, fee book report of entered business and actual cash to balance before weekly cash deposits are made. The same practice is used monthly and quarterly to balance at the end of each month and quarter. It should be noted that at the end of the fiscal year, the Recorder's checking account obtains a zero balance as no monies are retained by this office except for \$100 petty cash retained for the cash register. All monies either monthly or quarterly are reported to the County Treasurer or appropriate state or federal agencies. As this office employs a full-time Recorder, a full-time Deputy and a part-time Recording clerk, I feel we have accomplished a segregation of duties to the best of our ability.

Conclusion – Responses accepted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

III-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the debt service function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

III-B-12 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-D-12 Business Transactions – No business transactions between the County and County officials or employees were noted.

III-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

III-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

KEOKUK COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

- III-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- III-H-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-I-12 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.